6523.0 - Household Income and Wealth, Australia, 2013-14 Quality Declaration

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SUPERANNUATION IN AUSTRALIA, 2003–04 TO 2013–14

Contents:

INTRODUCTION

Superannuation is the most important financial asset for many Australians, particularly those approaching retirement age. This article shows who has benefited from Australia's superannuation system, and how the accumulation and use of these savings has changed in the ten years from 2003–04 to 2013–14.

Successive governments have introduced policies aimed at encouraging people to invest in superannuation, in particular:

- The Superannuation Guarantee (introduced in 1992) which mandated that all employers make a minimum contribution to a superannuation fund on behalf of their employees (9.25% of wages in 2013–14),
- The superannuation co-contribution (introduced in 2003), a government supplementary payment into the superannuation funds of low and middle income earners making personal (after-tax) contributions,
- Allowing pre-tax salary sacrifice into superannuation, and
- Favourable taxation rates for income from superannuation.

One of the main purposes of the superannuation system is to improve retirement incomes for Australians, in addition to reducing reliance on the Age Pension. As the proportion of Australia's population over 65 years increases and they live longer, maintaining an adequate income during retirement will be a challenge for an increasing number of Australians. The latest ABS life expectancy tables estimate that for people aged 65 years, men are likely to live, on average, another 19.4 years and women another 22.2 years. Therefore, people need sufficient assets, including superannuation, to support their living standards for at least 20 years, and for some, it may end up being many more years.

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SUPERANNUATION ACCUMULATION

There are two important aspects for understanding the accumulation of superannuation. These are:

1. The number of people who have some superannuation (called superannuation coverage), and
2. The amount people have accumulated in their superannuation accounts.

Superannuation coverage

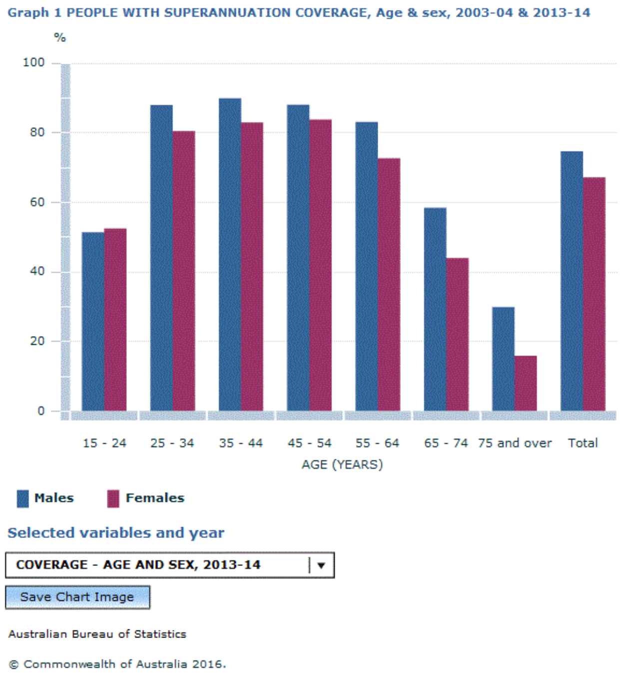
With more people receiving compulsory superannuation through the Superannuation Guarantee, it is not surprising that superannuation coverage rates have increased in the past decade. In 2003–04, around two thirds (64%) of people aged 15 years and over had superannuation coverage. By 2013–14, this had risen to 71% of people, with about 85% of people in the 25 to 54 year age groups having coverage.

Older people 55 years and over, had lower coverage rates than younger age groups (except for 15 to 24 year olds). However, in the ten years to 2013–14, coverage rates increased significantly for people aged 55 to 74. This cohort have benefited more from the introduction of the Superannuation Guarantee than those 75 years and over, many of whom would already have been retired when it was introduced.

When comparing superannuation coverage rates between men and women, the coverage gap was 12 percentage points in 2003–04, with 70% of men having superannuation compared to 58% of women. Ten years later, this gap was 8 percentage points, with 75% of men and 67% of women having some superannuation. (Graph 1)

With the exception of people aged 15 to 24 years, superannuation coverage for men was greater than for women in every

age group in both 2003–04 and 2013–14. The reduction in the gap between men and women during that period was due to coverage rates for women increasing more than for men, particularly for women aged between 55 and 74 years. Some of the improved coverage for women reflects their increased participation in the labour force compared to men.



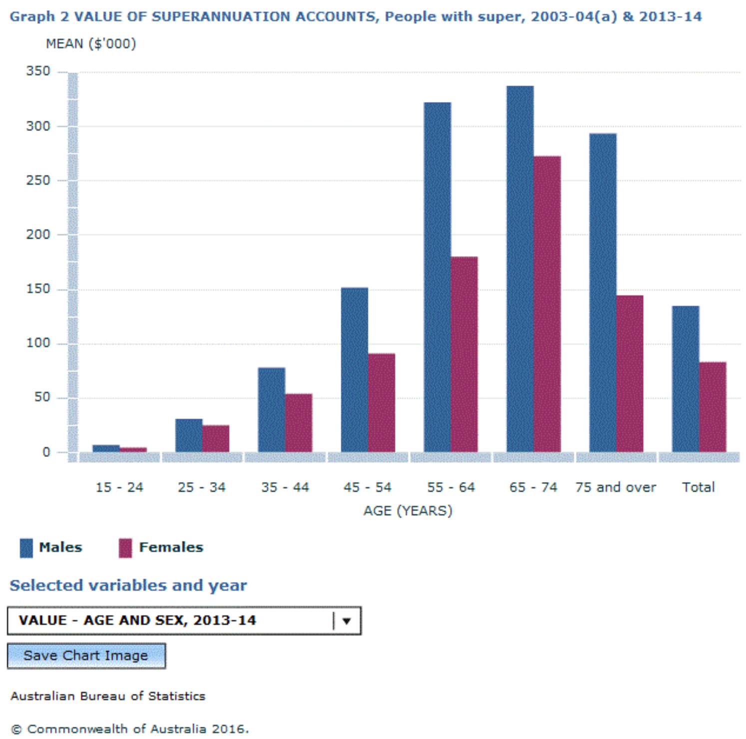
***Source(s):** ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04*

Source(s): ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04

Value of superannuation accounts

In the ten year period to 2013–14, the average value of superannuation accounts for people with superannuation savings increased by 61% in real terms, from $68,000 to $110,000. This was despite the impact of the global financial crisis (GFC) in 2008–09, which substantially reduced the value of many investments world-wide.

As well as having lower superannuation coverage rates, women with superannuation savings had lower balances than men in each of the ten year age groups shown in Graph 2. In 2003–04, the average value of superannuation accounts held by men was $89,000, which was around twice that held by women ($44,000). By 2013–14 this difference had reduced in relative terms to around 39% (with balances of $135,000 and $83,000, respectively).



***Footnote(s):** (a) In 2013-14 dollars, adjusted using changes in the Consumer Price Index*

***Source(s):** ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04*

Footnote(s): (a) In 2013-14 dollars, adjusted using changes in the Consumer Price Index

Source(s): ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04

Superannuation contributions for employees

For most people, the majority of superannuation contributions are made by their employers. The Superannuation Guarantee requires employers to contribute a fixed percentage of income (capped) into their employees' superannuation. Therefore, people in higher paid occupations receive the most value from employer contributions. Some people also make substantial contributions through salary sacrifice arrangements.

There is a clear difference between the average employee contributions to superannuation for men and women. Male managers and professionals had the highest average superannuation contributions in 2013–14 ($214 and $206 per week, respectively), whereas female sales workers had the lowest ($47 per week). (Graph 3)

About one in ten managers and professionals used salary sacrifice arrangements, with their average contributions being about $235 per week in 2013–14. By comparison, less than 2% of sales workers salary sacrificed from their income into superannuation in that period.

By age, salary sacrifice arrangements were used most often by employees aged 55 to 64 years, with more than one in five (21%) reporting these arrangements in 2013–14. Their average contributions were $257 per week. (Graph 4)

Graph 3 SELECTED CONTRIBUTIONS TO SUPER(a), Employees, Occupation & sex, 2013-14

Selected variables

CONTRIBUTIONS - OCCUPATION AND SEX

Save Chart Image

Australian Bureau of Statistics

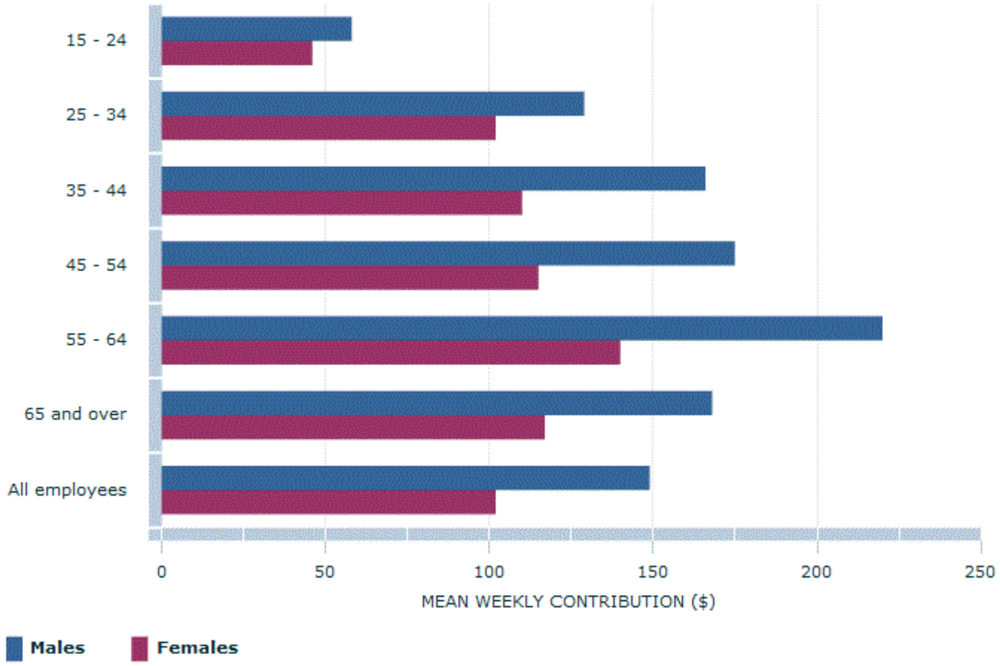
Footnote(s): *(a) See definitions section*

Source(s): *ABS Survey of Income and Housing*

Footnote(s): (a) See definitions section

Source(s): ABS Survey of Income and Housing

Graph 4 SELECTED CONTRIBUTIONS TO SUPER(a), Employees, Age & sex, 2013-14



Selected variables

CONTRIBUTIONS - AGE AND SEX

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Australian Bureau of Statistics

***Footnote(s):** (a) See definitions section*

***Source(s):** ABS Survey of Income and Housing*

Footnote(s): (a) See definitions section

Source(s): ABS Survey of Income and Housing

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SUPERANNUATION AND RETIREMENT

The impact of government superannuation policies, such as the Superannuation Guarantee (introduced in 1992), can be seen in the increased superannuation savings that many people now have as they approach retirement age. In 2013–14, any employees who retired aged 65 would have been eligible for Superannuation Guarantee contributions for over 20 years, whereas those retiring in 2003–04 would have only received it for a little over 10 years.

Superannuation savings

There has been some improvement in the past decade in the amount of superannuation held by people approaching retirement age (i.e. 55–64 years), and those just beyond retirement age (65–74 years). However, in 2013–14, most of these people still had less than $100,000 in their superannuation accounts (60% and 71%, respectively).

The proportion of 55 to 64 year olds with at least $200,000 in superannuation savings increased substantially in the ten year period to 2013–14 (from 16% to 27%). For 65 to 74 year olds, it increased from 7% to 20%, indicative of their lower overall superannuation savings but also that post retirement, they are likely to have started to draw down their wealth to maintain their living standards.

Graph 5 VALUE OF SUPERANNUATION ACCOUNTS, 55 years & over, 2003-04 & 2013-14

Footnote(s): *(a) In 2013-14 dollars, adjusted using changes in the Consumer Price Index*

Source(s): *ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04*

Footnote(s): (a) In 2013-14 dollars, adjusted using changes in the Consumer Price Index

Source(s): ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04

Regular income from superannuation

Many people either receive a guaranteed pension (such as a defined benefit pension) or choose to draw down their superannuation savings by receiving a regular income stream. Just over one in four people 65 years and over (28%, or 876,000), reported receiving regular income from superannuation in 2013–14. This was higher than in 2003–04 (20%, or 479,000 people). (Table 1)

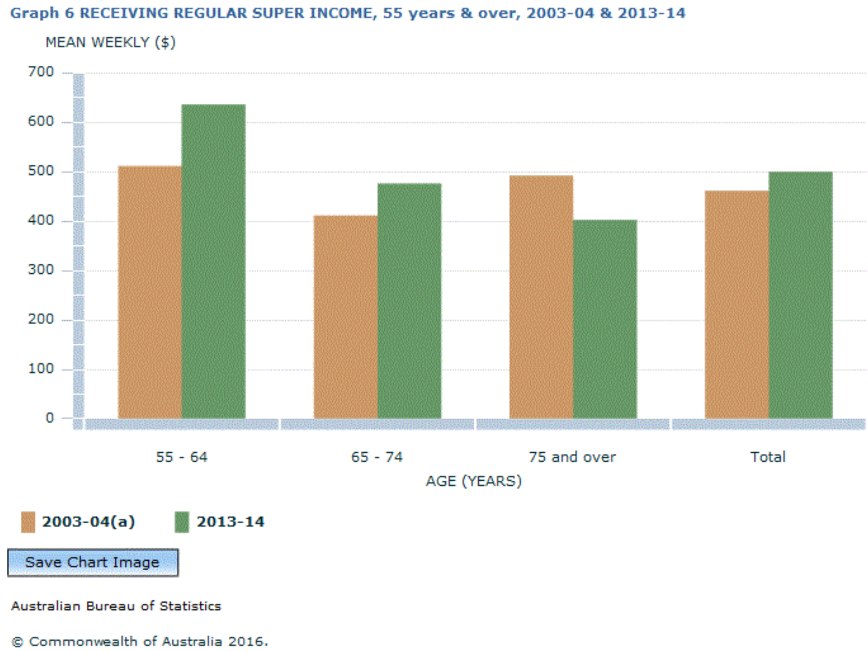
There were also 307,000 people aged between 55 and 64 receiving regular superannuation income in 2013–14, up from 221,000 in 2003–04.

Table 1 RECEIVING REGULAR SUPERANNUATION INCOME, People 55 years and over, 2003–04 and 2013–14

	2003–04	2013–14
	NUMBER OF PERSONS ('000)	
55 to 64 years	221.3	307.1
65 years and over	479.1	876.2
Total	**700.4**	**1 183.3**
	PROPORTION OF ALL PERSONS (%)	
55 to 64 years	10.8	11.7
65 years and over	20.0	27.6
Total	**15.8**	**20.4**

Source: ABS Survey of Income and Housing 2013-14; ABS Household Expenditure Survey 2003-04

The average superannuation income received by superannuants aged 55 to 64 increased in real terms between 2003–04 and 2013–14 (from $511 to $636 per week). There was no significant change in the superannuation income of people 65 years and over during that period. (Graph 6)



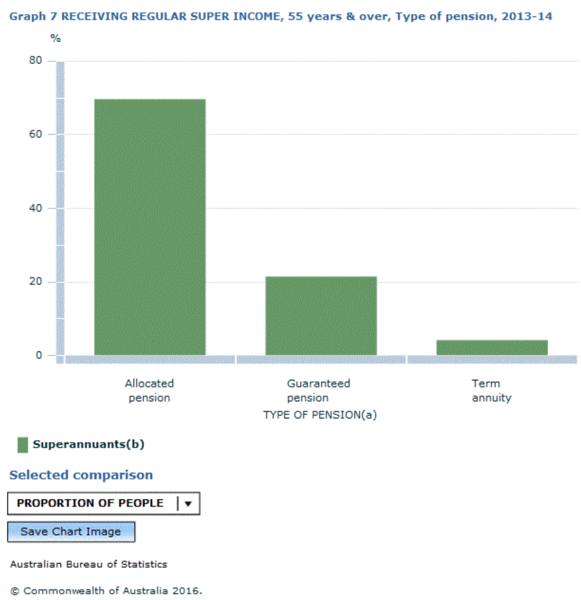
Footnote(s): *(a) In 2013-14 dollars, adjusted using changes in the Consumer Price Index*

Source(s): *ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04*

Footnote(s): (a) In 2013-14 dollars, adjusted using changes in the Consumer Price Index

Source(s): ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04

Allocated pensions were the most common type of superannuation income received in 2013–14, followed by guaranteed pensions (70% and 21%, respectively). Guaranteed pensions provided the highest average weekly income ($654). (Graph 7)



Footnote(s): *(a) Income from other types of pensions is not included; (b) People may receive more than one type of pension*

Source(s): *ABS Survey of Income and Housing*

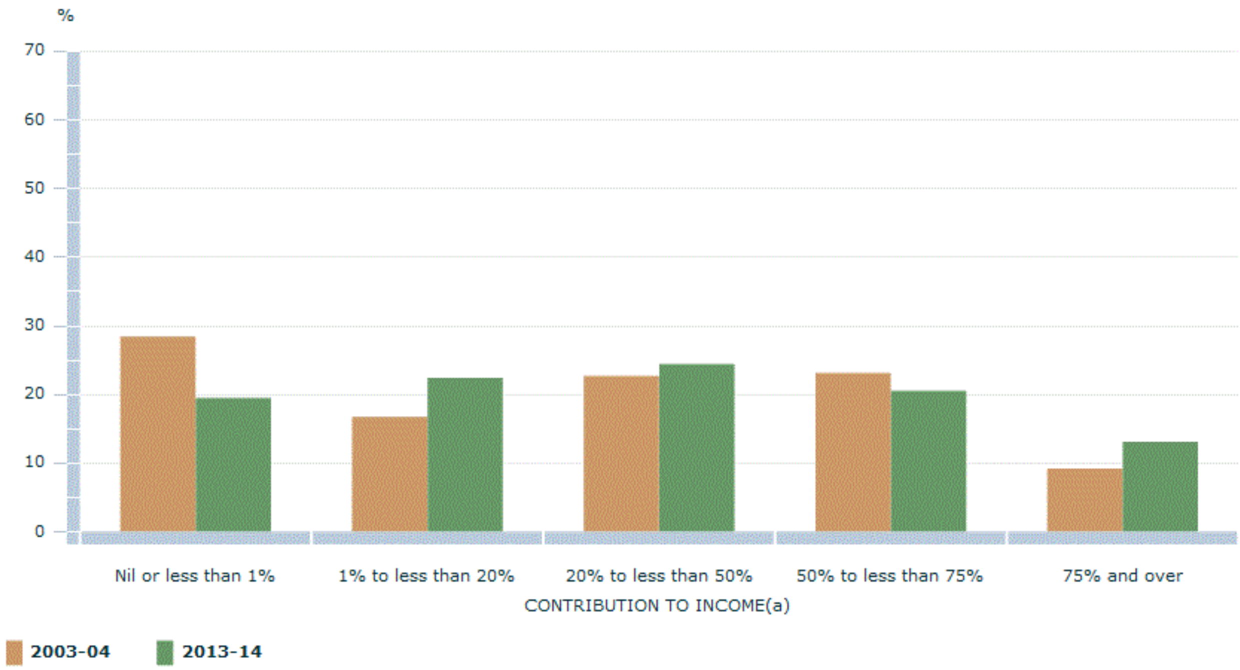
Footnote(s): (a) Income from other types of pensions is not included; (b) People may receive more than one type of pension

Source(s): ABS Survey of Income and Housing

Over time, it would be expected that as people's superannuation savings increase, their reliance on government pensions would decrease. However, as shown in Graph 8, in the ten year period to 2013–14, there was no significant change in the proportion of superannuants 65 years and over receiving 50% or more of their personal income from government pensions or allowances.

This highlights that government pensions are still an important source of income for superannuants post retirement, though this is likely to change as more people are covered by superannuation for all of their working lives. It is also useful to note that a large proportion of the total wealth of older Australians is invested in their home which is not included in means testing for pensions.

Graph 8 CONTRIBUTION OF GOVT PAYMENTS TO INCOME(a), 65 years & over, 2003-04 & 2013-14



Selected population

SUPERANNUANTS, 65 AND OVER

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Footnote(s): *(a) The proportion of gross personal income from government payments*

Source(s): *ABS Survey of Income and Housing*

Footnote(s): (a) The proportion of gross personal income from government payments

Source(s): ABS Survey of Income and Housing

Lump sum superannuation payments

An alternative way to access superannuation is to take irregular lump sum payments. In 2013–14, 376,000 people 55 years and over (6%) reported having received a lump sum superannuation payment in the previous two years. The age at which people took a lump sum superannuation payment was evenly split between those aged 55 to 64 and those 65 years and over.

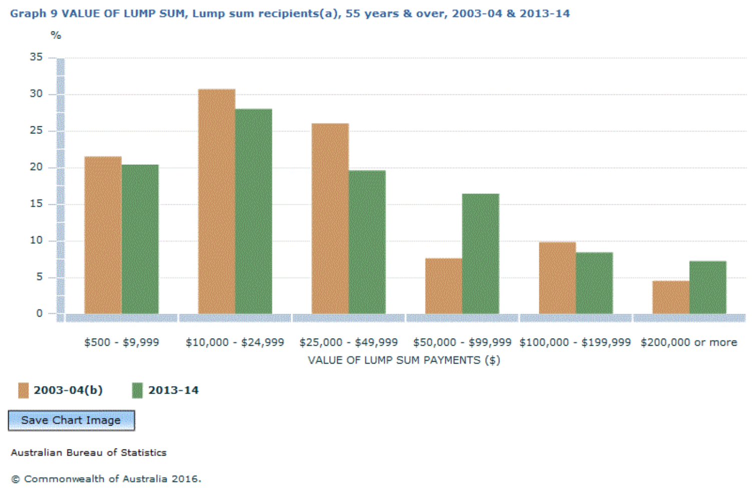
Table 2 RECEIVED SUPERANNUATION LUMP SUM IN LAST TWO YEARS, People 55 years and over, 2003–04 and 2013–14

	2003–04	2013–14
	NUMBER OF PERSONS ('000)	

55 to 64 years	122.5	188.1
65 years and over	39.5	188.3
Total	**162.0**	**376.3**
	PROPORTION OF ALL PERSONS (%)	
55 to 64 years	6.0	7.2
65 years and over	1.7	5.9
Total	**3.7**	**6.5**

Source: ABS Survey of Income and Housing 2013-14; ABS Household Expenditure Survey 2003-04

For people who had withdrawn a lump sum in the two years up to 2013–14, about one third (32%) withdrew $50,000 or more (compared to 22% in 2003–04), perhaps reflecting the growth in superannuation savings of older people in that period. (Graph 9)



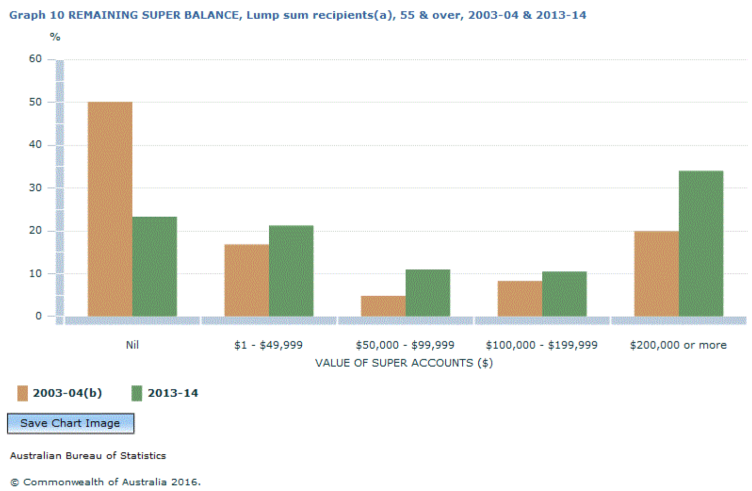
Footnote(s): *(a) Received a superannuation lump sum payment in the last two years; (b) In 2013-14 dollars, adjusted using changes in the Consumer Price Index*

Source(s): *ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04*

Footnote(s): (a) Received a superannuation lump sum payment in the last two years; (b) In 2013-14 dollars, adjusted using changes in the Consumer Price Index

Source(s): ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04

In 2013–14, people who had received a lump sum payment in the last two years were more likely to have retained at least part of their superannuation savings, compared to those 10 years earlier. In 2003–04, half (50%) of these people had no superannuation savings remaining, and only 20% still had $200,000 or more. By comparison, in 2013–14, 23% had no more superannuation, while one third (34%) had superannuation savings of $200,000 or more. (Graph 10)



Footnote(s): *(a) Received a lump sum superannuation payment in the last two years; (b) In 2013-14 dollars, adjusted using changes in the Consumer Price Index*

Source(s): *ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04*

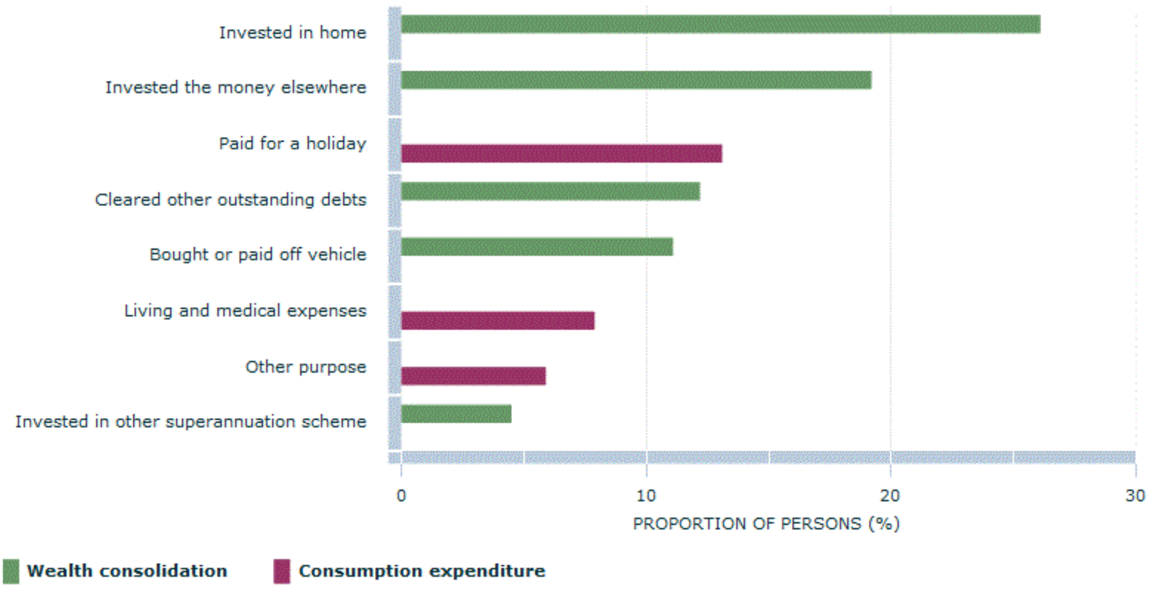
Footnote(s): (a) Received a lump sum superannuation payment in the last two years; (b) In 2013-14 dollars, adjusted using changes in the Consumer Price Index

Source(s): ABS Survey of Income and Housing 2013-14, ABS Household Expenditure Survey 2003-04

Use of lump sum superannuation payments

In 2013–14, three-quarters (73%) of recipients had mainly used their lump sum payments for wealth consolidation, such as investing in their home, investing elsewhere, or clearing outstanding debts. The remainder (27%) reported consumption expenditure as the main use of their lump sums, with holidays, living and medical expenses the most frequently reported. (Graph 11)

Graph 11 MAIN USE OF LUMP SUM, Lump sum recipients(a), 55 years & over, 2013-14



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***Footnote(s):** (a) Received a superannuation lump sum payment in the last two years*

***Source(s):** ABS Survey of Income and Housing*

Footnote(s): (a) Received a superannuation lump sum payment in the last two years

Source(s): ABS Survey of Income and Housing

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CONCLUSION

Superannuation is expected to improve living standards for retirees, as well as reduce reliance on government pensions over time. Achieving these outcomes is important given the impact of the ageing of Australia's population.

There are also substantial tax concessions provided for superannuation contributions and savings, and these need to be justified by their impact on the overall wellbeing of the Australian community.

In the period between 2003–04 and 2013–14, there was a substantial increase in the proportion of people nearing or post retirement age with superannuation. The amount of superannuation savings also increased in real terms, suggesting that superannuation is of growing importance as an income source in retirement.

People are using their superannuation for the purpose it was intended, with more people using it to provide a regular income stream than to withdraw lump sums. However, when lump sums were withdrawn, it was often used to consolidate wealth by reducing debt or to make other investments.

However, in 2013–14, superannuation savings were not sufficient to reduce reliance on government pensions and allowances as the main source of income for most retirees.

It will be at least two more decades before people reaching retirement age will have had employer contributions from the Superannuation Guarantee for their entire working lives. In the meantime, analysis of the impact of government retirement income policies will be of ongoing interest.

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DATA SOURCES AND DEFINITIONS

Data sources

1. Data from the ABS Survey of Income and Housing (SIH) and the ABS Household Expenditure Survey (HES) have been used for this superannuation analysis. All 2003–04 values have been expressed in 2013–14 dollars, adjusted using changes in the Consumer Price Index.
   More detailed data on people's superannuation is available in data cube 24 in the 'Downloads' tab of this publication.
2. The Survey of Income and Housing User Guide, 2013–14 (cat. no. 6553.0) includes a section on superannuation. This provides a complete list of superannuation data available from the SIH.
3. Life expectancy data are available in Deaths, Australia, 2014 (cat. no. 3302.0).

Definitions

Superannuation coverage

Persons aged 15 years and over were considered to have superannuation coverage if they:

- had a superannuation balance above zero,
- were receiving regular income from superannuation, or
- had received a lump sum superannuation payment in the last two years.

Selected superannuation contributions for employees

Selected superannuation contributions comprise:

- The compulsory employer contributions required under the Superannuation Guarantee. These values have been imputed as the minimum amount that employers must contribute to employees' superannuation accounts (9.25% in 2013–14). Where possible, employee income that is not covered by this legislation (such as overtime) has been excluded.
- Income salary sacrificed by employees into a superannuation account.
- Superannuation contributions from employers above the minimum compulsory payments.

After tax contributions by employees are not included.

Type of pension

Allocated pensions (also known as account-based pensions) are a regular income stream paid by superannuation funds. The value of the pension is calculated based on the amount of money accumulated in people's superannuation accounts and varies depending on the investment earnings of the fund.

Guaranteed pensions comprise pensions which are guaranteed to provide a regular income stream for the life of the recipient or for the reversionary beneficiary's life on the death of the member. The most common are defined benefit pensions which are calculated based on a predetermined formula which varies in different funds. Common criteria used include: average salary before retirement, retirement age and years of employment.

Term annuities are a fixed-term product that gives people a guaranteed income for a specified term. This involves a series of payments purchased with a lump sum, usually from an insurance company.

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This page last updated 12 September 2017